

**COUNTERPART
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COUNTERPART INTERNATIONAL, INC.

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

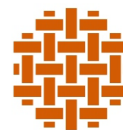
FOR THE YEAR ENDED SEPTEMBER 30, 2022

COUNTERPART INTERNATIONAL, INC.

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COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Counterpart International, Inc. and Subsidiaries
Arlington, Virginia

Opinion

We have audited the accompanying consolidated financial statements Counterpart International, Inc. and Subsidiaries (together, "Counterpart"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Counterpart as of September 30, 2022 and 2021, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Counterpart and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Counterpart's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Counterpart's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Counterpart's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Counterpart's Consolidating Schedules of Financial Position on pages I-(27 - 28) and Consolidating Schedules of Activities and Changes in Net Assets on pages I-(29 - 30) are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Counterpart International, Inc.'s Expenditures of Federal Awards on pages I-(31 - 33), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The Schedules of Counterpart International, Inc.'s Sub-handling Rate Calculation and Indirect Cost Rate Calculation on pages I-36 and I-37, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Schedule of Counterpart International, Inc.'s Functional Expenses for Indirect Cost Rate Calculation on page I-38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023, on our consideration of Counterpart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Counterpart's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Counterpart's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

March 6, 2023

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND 2021

		ASSETS	
		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	10,305,528	\$ 7,859,042
Investments		110,309	109,724
Receivables		461,517	187,418
Undistributed commodities		2,374,481	2,484,260
Sub-recipient and other advances		780,542	744,258
Prepaid expenses		<u>345,735</u>	<u>362,304</u>
Total current assets		<u>14,378,112</u>	<u>11,747,006</u>
PROPERTY AND EQUIPMENT			
Equipment		44,783	52,343
Furniture and fixtures		200,442	200,442
Software		474,603	474,603
Leasehold improvements		<u>-</u>	<u>532,939</u>
		719,828	1,260,327
Less: Accumulated depreciation and amortization		<u>(648,835)</u>	<u>(1,111,916)</u>
Net property and equipment		<u>70,993</u>	<u>148,411</u>
NONCURRENT ASSETS			
Deposits		134,267	139,500
Right-of-use asset, net		<u>9,269,813</u>	<u>-</u>
Total noncurrent assets		<u>9,404,080</u>	<u>139,500</u>
TOTAL ASSETS		<u>\$ 23,853,185</u>	<u>\$ 12,034,917</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Note payable	\$	-	\$ 42,831
Accounts payable and accrued liabilities		2,507,011	2,581,352
Deferred rent		-	301,146
Deferred contract revenue		100,000	-
Deferred revenue - commodities		2,374,481	2,484,260
Refundable advances		7,392,340	4,963,361
Sub-recipient payables		199,529	193,736
Operating lease liability		<u>353,733</u>	<u>-</u>
Total current liabilities		<u>12,927,094</u>	<u>10,566,686</u>
NONCURRENT LIABILITIES			
Operating lease liability, net of current portion		<u>9,026,682</u>	<u>-</u>
Total liabilities		<u>21,953,776</u>	<u>10,566,686</u>
NET ASSETS			
Without donor restrictions:			
Undesignated		883,017	632,761
Board designated		<u>545,000</u>	<u>545,000</u>
Total net assets without donor restrictions		1,428,017	1,177,761
With donor restrictions		<u>471,392</u>	<u>290,470</u>
Total net assets		<u>1,899,409</u>	<u>1,468,231</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 23,853,185</u>	<u>\$ 12,034,917</u>

See accompanying notes to consolidated financial statements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants:			
U.S. Government	\$ 30,495,615	\$ -	\$ 30,495,615
Non-U.S. Government	742,355	404,157	1,146,512
Contracts	2,063,419	-	2,063,419
Investment income	585	45	630
Gifts in-kind	3,661,515	-	3,661,515
Other revenue	5,628	-	5,628
Net assets released from donor restrictions	<u>223,280</u>	<u>(223,280)</u>	<u>-</u>
Total revenue and support	<u>37,192,397</u>	<u>180,922</u>	<u>37,373,319</u>
EXPENSES			
Program Services:			
Democracy, Rights and Governance	9,070,014	-	9,070,014
Food Security	16,312,132	-	16,312,132
Peace and Security	2,194,555	-	2,194,555
Women's Leadership	449,272	-	449,272
Climate Resiliency	995,380	-	995,380
Social Sector Accelerator Programs	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>29,021,353</u>	<u>-</u>	<u>29,021,353</u>
Supporting Services:			
Management and General	7,919,855	-	7,919,855
Fundraising	<u>933</u>	<u>-</u>	<u>933</u>
Total supporting services	<u>7,920,788</u>	<u>-</u>	<u>7,920,788</u>
Total expenses	<u>36,942,141</u>	<u>-</u>	<u>36,942,141</u>
Changes in net assets	250,256	180,922	431,178
Net assets at beginning of year	<u>1,177,761</u>	<u>290,470</u>	<u>1,468,231</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,428,017</u>	<u>\$ 471,392</u>	<u>\$ 1,899,409</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants:			
U.S. Government	\$ 29,274,217	\$ -	\$ 29,274,217
Non-U.S. Government	575,916	407,339	983,255
Contracts	1,592,481	-	1,592,481
Investment income	11	20	31
Gifts in-kind	1,576,863	893	1,577,756
Other revenue	44,893	-	44,893
Net assets released from donor restrictions	<u>178,079</u>	<u>(178,079)</u>	<u>-</u>
Total revenue and support	<u>33,242,460</u>	<u>230,173</u>	<u>33,472,633</u>
EXPENSES			
Program Services:			
Democracy, Rights and Governance	11,744,134	-	11,744,134
Food Security	12,513,318	-	12,513,318
Peace and Security	1,666,168	-	1,666,168
Women's Leadership	341,191	-	341,191
Climate Resiliency	695,115	-	695,115
Social Sector Accelerator Programs	<u>110,354</u>	<u>-</u>	<u>110,354</u>
Total program services	<u>27,070,280</u>	<u>-</u>	<u>27,070,280</u>
Supporting Services:			
Management and General	6,470,316	-	6,470,316
Fundraising	<u>12,179</u>	<u>-</u>	<u>12,179</u>
Total supporting services	<u>6,482,495</u>	<u>-</u>	<u>6,482,495</u>
Total expenses	<u>33,552,775</u>	<u>-</u>	<u>33,552,775</u>
Changes in net assets	(310,315)	230,173	(80,142)
Net assets at beginning of year	<u>1,488,076</u>	<u>60,297</u>	<u>1,548,373</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,177,761</u>	<u>\$ 290,470</u>	<u>\$ 1,468,231</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services					Supporting Services				Total Expenses
	Democracy, Rights and Governance	Food Security	Peace and Security	Women's Leadership	Climate Resiliency	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel	\$ 3,887,769	\$ 4,974,668	\$ 1,046,813	\$ 192,356	\$ 183,545	\$ 10,285,151	\$ 4,658,208	\$ 486	\$ 4,658,694	\$ 14,943,845
Sub-partner	863,129	878,742	234,811	-	478,107	2,454,789	-	-	-	2,454,789
Grants	1,438,409	1,787,213	388,466	195,512	98,398	3,907,998	-	-	-	3,907,998
Travel	428,468	705,621	14,319	18,812	31,176	1,198,396	106,350	-	106,350	1,304,746
Training and workshops	430,348	831,057	84,496	-	2,116	1,348,017	2,074	-	2,074.00	1,350,091
Property and equipment	224,522	268,831	39,767	5,075	3,946	542,141	148,575	-	148,575	690,716
Professional services	739,407	836,275	171,389	20,001	56,604	1,823,676	1,429,469	-	1,429,469	3,253,145
Shipping transportation and handling	420	667,248	-	-	-	667,668	6	-	6	667,674
Rent and utilities	181,005	193,259	25,753	-	11,210	411,227	615,928	-	615,928	1,027,155
Office supplies	43,014	67,998	943	774	464	113,193	8,819	-	8,819	122,012
Conferences and meetings	12,948	17,407	5	6,418	1,348	38,126	31,911	-	31,911	70,037
Insurance	17,396	32,688	2,808	-	1,210	54,102	221,290	-	221,290	275,392
Printing and publications	219,018	67,888	5,068	1,402	125	293,501	2,930	-	2,930	296,431
IT and telecommunication expenses	126,611	155,752	23,127	1,644	1,714	308,848	209,885	-	209,885	518,733
Other expenses	371,721	1,033,082	91,581	3,228	3,808	1,503,420	484,410	447	484,857	1,988,277
Other project activities	-	405,535	-	4,050	-	409,585	-	-	-	409,585
Gifts in kind	85,829	3,388,868	65,209	-	121,609	3,661,515	-	-	-	3,661,515
TOTAL	\$ 9,070,014	\$ 16,312,132	\$ 2,194,555	\$ 449,272	\$ 995,380	\$ 29,021,353	\$ 7,919,855	\$ 933	\$ 7,920,788	\$ 36,942,141

See accompanying notes to consolidated financial statements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services						Supporting Services				
	Democracy, Rights and Governance	Food Security	Peace and Security	Women's Leadership	Climate Resiliency	Social Sector Accelerator Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Personnel	\$ 3,765,784	\$ 4,002,779	\$ 800,335	\$ 134,535	\$ 123,808	\$ 58,310	\$ 8,885,551	\$ 3,744,174	\$ -	\$ 3,744,174	\$ 12,629,725
Sub-partner	2,909,114	1,562,162	281,136	-	482,786	-	5,235,198	-	-	-	5,235,198
Grants	1,338,527	1,399,152	298,451	134,252	18,668	10,900	3,199,950	-	-	-	3,199,950
Travel	287,876	392,139	5,809	-	7,541	878	694,243	21,660	-	21,660	715,903
Training and workshops	1,112,860	430,228	19,545	-	-	-	1,562,633	-	-	-	1,562,633
Property and equipment	76,481	307,653	-	539	-	-	384,673	43,984	-	43,984	428,657
Professional services	1,276,371	1,145,346	92,254	45,213	24,851	36,443	2,620,478	1,003,684	1,044	1,004,728	3,625,206
Shipping transportation and handling	-	326,888	90	-	-	-	326,978	750	-	750	327,728
Rent and utilities	182,560	170,378	19,118	-	9,162	2,098	383,316	794,267	-	794,267	1,177,583
Office supplies	47,886	49,008	1,344	46	110	46	98,440	2,691	-	2,691	101,131
Conferences and meetings	358	15,321	54	-	104	-	15,837	9,709	-	9,709	25,546
Insurance	28,059	23,795	2,628	-	129	-	54,611	241,049	-	241,049	295,660
Printing and publications	6,739	20,347	7,373	-	-	-	34,459	269	-	269	34,728
IT and telecommunication expenses	104,751	99,716	21,709	1,899	578	737	229,390	262,669	-	262,669	492,059
Other expenses	529,115	888,042	31,812	6,003	4,673	942	1,460,587	335,848	11,135	346,983	1,807,570
Other project activities	-	297,930	-	17,812	-	-	315,742	-	-	-	315,742
Gifts in kind	77,653	1,382,434	84,510	892	22,705	-	1,568,194	9,562	-	9,562	1,577,756
TOTAL	\$ 11,744,134	\$ 12,513,318	\$ 1,666,168	\$ 341,191	\$ 695,115	\$ 110,354	\$ 27,070,280	\$ 6,470,316	\$ 12,179	\$ 6,482,495	\$ 33,552,775

See accompanying notes to consolidated financial statements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 431,178	\$ (80,142)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	77,418	72,907
Forgiveness of PPP loan liability	-	(51,758)
Change in operating lease	110,602	-
(Increase) decrease in:		
Receivables	(274,099)	718,841
Sub-recipient and other advances	(36,284)	256,255
Prepaid expenses	16,569	49,829
Deposits	5,233	(15,234)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(74,341)	114,594
Deferred rent	(301,146)	(241,622)
Deferred contract revenue	100,000	-
Refundable advances	2,428,979	(1,536,255)
Sub-recipient payables	<u>5,793</u>	<u>21,098</u>
Net cash provided (used) by operating activities	<u>2,489,902</u>	<u>(691,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(585)</u>	<u>(11)</u>
Net cash used by investing activities	<u>(585)</u>	<u>(11)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	<u>(42,831)</u>	<u>(128,411)</u>
Net cash used by financing activities	<u>(42,831)</u>	<u>(128,411)</u>
Net increase (decrease) in cash and cash equivalents	2,446,486	(819,909)
Cash and cash equivalents at beginning of year	<u>7,859,042</u>	<u>8,678,951</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,305,528</u>	<u>\$ 7,859,042</u>
SUPPLEMENTAL INFORMATION		
Change in Undistributed Commodities with a Commensurate Change in Deferred Revenue Commodities	<u>\$ (109,779)</u>	<u>\$ 1,230,911</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 9,661,201</u>	<u>\$ -</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Counterpart International, Inc. and Subsidiaries consists of three entities: Counterpart International, Inc., EnviroVentures, Inc., and the Social Sector *Accelerator*.

Counterpart International, Inc. (Counterpart International) was established in 1965 as a U.S.-based non-profit international development organization. Counterpart International's mission is to partner with local organizations - formal and informal - to build inclusive, sustainable communities in which their people thrive.

EnviroVentures, Inc. (EVI) was incorporated in 1996 as a wholly-owned for-profit subsidiary of Counterpart whose primary purpose was to build capacity of local environmental organizations in the Philippines (consistent with Counterpart International's exempt purpose). In 2012, Counterpart International's Board of Directors approved the close-down of EVI. There are no activities under EVI thereafter. However, as of the date of this report, the financial activities continue to be presented on a consolidated basis as EVI has yet to be legally dissolved under Philippine law.

The Social Sector *Accelerator* (SSA) was incorporated in 2014 as a wholly-owned subsidiary of Counterpart International. Its primary purpose is to expand global investment in the social sector's organizations and leaders. Programmatic activities in the Accelerator began in fiscal year 2015. As of March 31, 2021, SSA ceased activities and operations. The SSA's Coastal Climate Resiliency Program has subsequently been integrated within Counterpart's program activities.

In 2018, Plan International USA and Counterpart International entered into a program transfer agreement for transfer of the WomenLead Institute (WLI), effective January 2, 2019. WLI brings to Counterpart International more than 40 years of expertise in strengthening women's leadership, management, and technical competencies. WLI's core mission is to fuel greater representation and impact of women in leadership positions across all sectors and institutions, in the United States and in countries around the world.

For more than 55 years, Counterpart International has partnered with formal and informal local organizations and citizen leaders to build inclusive, sustainable communities in which people thrive. Counterpart International's programs are designed and implemented to help our partners grow their capabilities in ways that result in significant expansion of their reach, impact, and sustainability. In 2022, Counterpart International partnered with local organizations of all types around the world that have a similar vision of strong, vibrant communities. Counterpart's projects spanned the democracy, rights and governance, food security, health security, peace and security, and climate resiliency sectors.

Programs -

Democracy, Rights, and Governance: Delivery of fair and equitable citizen services requires government responsiveness and accountability, as well as resilient civil society organizations with the know-how to mobilize citizens and effectively engage with government to promote and sustain progress.

Food Security: Food security and agriculture programs help communities raise healthy, educated children, and support the country's journey to self-reliance. Early childhood health interventions, such as vitamin A distribution, sustainable infrastructures like community gardens, and market linkages to support sustainable livelihoods, all create a strong foundation for sustainable community growth.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Organization (continued) -

Programs (continued) -

Peace and Security: Civil society strengthening, community development, and good and transparent governance are critical to building states that deliver for their citizens and promote long-term peace. Local organizations working in partnership with governments helps build inclusive, resilient, and sustainable communities in which people thrive.

Women's Leadership: Achieving a brighter future for all requires investing in women as leaders, role models and decision-makers. Training, capacity building, mentorship and networking enable women leaders of non-profit organizations and social enterprises brings a multiplier effect to their own organizations and to realize broader development goals.

Climate Resiliency: Development challenges around the world are complicated by the impacts of climate change. Mitigating the impacts of climate change through effective natural resource management can help combat poverty, while protecting the livelihoods of those living in coastal and inland communities.

Principles of consolidation -

The accounts of Counterpart International, Inc. have been consolidated with the accounts of EnviroVentures, Inc. and The Social Sector *Accelerator* (collectively, Counterpart) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than Counterpart's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements adopted -

During 2022, Counterpart early adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. Counterpart applied the new standard at the inception of a new lease that began in fiscal year 2022 and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 9 for further details.

During the year ended September 30, 2022, Counterpart adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Cash and cash equivalents -

Counterpart considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Money funds held within the investment portfolio are not classified as cash and cash equivalents (Note 2).

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Counterpart maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

At September 30, 2022 and 2021, Counterpart maintained \$366,423 and \$308,349, respectively, of cash and cash equivalents on hand and in financial institutions in foreign countries (in order to support its operations in those countries). The majority of funds invested in foreign countries are uninsured.

Foreign currency translation -

The functional currency of Counterpart is the U.S. Dollar. The consolidated financial statements and transactions of Counterpart's local operations are generally maintained in the applicable foreign currency. When local currencies are used, assets and liabilities are translated into U.S. Dollars in the accompanying Consolidated Statements of Financial Position at the spot exchange rate in effect as of September 30, 2022 and 2021. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rates of exchange in effect during the month of the transaction.

Losses resulting from transactional exchanges are recognized as program expenses (in the accompanying Consolidated Statements of Activities and Changes in Net Assets) and are allowable as direct costs per the U.S. Government; conversely, gains are recognized as reduction of allowable program expenses.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Foreign currency translation (continued) -

Net losses from transactional exchanges totaled \$64,436 and \$11,112 during the years ended September 30, 2022 and 2021, respectively and are included in other expenses in the accompanying Consolidated Statements of Functional Expenses.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Receivables -

Receivables are recorded at net realizable value, which approximates fair value. All receivables are considered collectible within one year, unless otherwise stated by the donor. Management considers all amounts due within one year to be fully collectible; accordingly, an allowance for doubtful accounts has not been established.

Sub-recipient and other advances -

Advances primarily consist of amounts provided to partners and sub-grantees to execute project objectives within a three month period. Expenses incurred by partners and sub-grantees which are not reimbursed as of fiscal year-end are recorded as sub-recipient payables.

Property and equipment -

Property and equipment with unit cost in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized using the straight line method over the shorter of the remaining lease term or the useful life of the asset. The cost of maintenance and repairs is recorded as expenses are incurred.

On occasion, Counterpart purchases equipment for its overseas programs with funding received from the U.S. Government and other donors. Counterpart records these purchases as an expense in the period of acquisition and charges the expense against the grant which provided the funding. Under the terms of these agreements, title to equipment generally vests with Counterpart, but the donor retains a reversionary interest in the equipment from the point of acquisition through the disposition date (at the end of the award period). In most cases (and under the direction of the donor), Counterpart donates this equipment to local organizations at the end of the award period.

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 totaled \$77,418 and \$72,907, respectively.

Income taxes -

Counterpart International is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Counterpart International is not a private foundation. SSA was a single-member limited liability company (SMLLC), whose sole member was Counterpart International, Inc. SSA did not undertake any activity that was inconsistent with Counterpart International, Inc.'s exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the years ended September 30, 2022 and 2021, Counterpart has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Contributions and grants -

The majority of Counterpart's revenue is received through awards from agencies of the U.S. Government, international organizations, foundations, and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. Counterpart performs an analysis of the individual awards to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed nonreciprocal or reciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions. Unconditional contributions that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and awards from the United States Government and other entities are for direct and indirect program costs; these transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. Counterpart had approximately \$101,200,000 and \$90,000,000 in unrecognized conditional awards as of September 30, 2022 and 2021, respectively.

Contracts -

Contracts includes fixed-fee, cost-reimbursable, and time/materials agreements. Contracts are classified as exchange transactions, and revenue recognition follows ASU 2014-09, *Revenue from Contracts With Customers* and revenue is recorded when the performance obligations are met. The revenue is recorded as "net assets without donor restrictions" at such time when deemed earned, and the transaction price is based on deliverables or milestones stipulated in the contract agreements. There were no amounts due under contractual agreements as of September 30, 2022 and September 30, 2021. Any amounts received in advance of the achievement of the performance obligations is recorded as deferred contract revenue; the total recognized as of September 30, 2022 was \$100,000 (there was no deferred contract revenue at September 30, 2021).

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Gifts in-kind -

Gifts in-kind consist of donated food commodities, surplus property, contributed services and materials. Gifts in-kind are recorded at their fair value as of the date of the gift. In-kind revenue is recorded as income upon receipt, and expense is recorded when the goods are distributed for program use (Note 8). While it is Counterpart's policy to distribute gifts-in-kind as promptly as possible, undistributed gifts-in-kind are recorded as undistributed commodities (inventory) and deferred revenue. Costs associated with shipping and handling of commodities are recorded as shipping, transportation and handling expenses in the accompanying consolidated financial statements. In addition, volunteers have donated significant amounts of their time to Counterpart; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of implementing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of Counterpart are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Indirect costs of Counterpart International are charged to all awards per the approved basis of application in the Negotiated Indirect Cost Agreement with USAID.

Investment risks and uncertainties -

Counterpart invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

Counterpart adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Counterpart accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

2. INVESTMENTS

Investments consisted of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Money Funds	\$ <u>110,309</u>	\$ <u>109,724</u>

Included in investment income are the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ <u>630</u>	\$ <u>31</u>

3. PAYCHECK PROTECTION PROGRAM (PPP)

On April 18, 2020, Counterpart applied and received approval for a loan in the amount of \$1,155,700 under the Paycheck Protection Program (PPP), administered by the United States Small Business Administration (SBA). The promissory note bore interest at a rate of 1% per year. Counterpart made a lump sum payment of \$932,700 on September 29, 2020. As of September 30, 2020, Counterpart had a PPP loan balance of \$223,000. Counterpart used the loan for purposes consistent with the Paycheck Protection Program.

In September 2021, Counterpart applied for partial forgiveness of the PPP loan in the amount of \$51,758. The amount of costs eligible for forgiveness was determined in compliance with the stipulations of the loans as to obtain forgiveness. The amount of forgiveness relates to eligible costs incurred by Counterpart's subsidiary Social Sector Accelerator which were not reimbursed under SSA's grants and contracts. Counterpart's application for the partial PPP loan forgiveness in the amount of \$51,758 was approved on September 30, 2021. On September 30, 2021, a partial repayment of the balance of the loan in the amount of \$128,411 was made.

Counterpart recorded the revenue from debt extinguishment in the amount of \$51,758 during the year ended September 30, 2021. The amount forgiven has been included in Other Revenue in the accompanying 2021 Consolidated Statements of Activities and Changes in Net Assets.

The remaining balance of \$42,831 was repaid in full on October 18, 2021.

4. LINE OF CREDIT

Counterpart maintains two lines of credit with a local financial institution. The first line has a maximum borrowing limit of \$1,000,000, and the second line (established in fiscal year 2022) has a maximum borrowing limit of \$500,000. The lines of credit provide the lender a right of setoff in all of Counterpart's accounts with the financial institution. Interest accrues on any outstanding balances at a variable interest rate, which will be no lower than the Secured Overnight Financing Rate plus 200 basis points. (4.98% at September 30, 2022. As of September 30, 2021, interest (on the first line) was calculating using the greater of the Citibank Prime Rate or the Minimum Interest Rate per annum (3.25%). As of September 30, 2022 and 2021, there were no outstanding borrowings on the lines of credit.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

5. BOARD DESIGNATED NET ASSETS

On February 5, 2019, Counterpart International, Inc.'s Board of Directors earmarked \$545,000 of its net assets without donor restrictions into a Board Designated Net Assets fund (the Fund). The general purpose of the Fund is to ensure Counterpart's long-term financial stability and position Counterpart to respond to business fluctuations and economic conditions that may impact its financial position. The Fund may only be used for expenses that cannot be covered by revenues and the resulting overhead budget.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Program services	\$ 437,313	\$ 256,436
Accumulated WLI endowment earnings	868	823
WLI Scholarships	900	900
Endowment to be invested in perpetuity	<u>32,311</u>	<u>32,311</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 471,392</u>	<u>\$ 290,470</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2022</u>	<u>2021</u>
Program Services	<u>\$ 223,280</u>	<u>\$ 178,079</u>

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statements of Financial Position date comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,305,528	\$ 7,859,042
Investments	110,309	109,724
Receivables	<u>461,517</u>	<u>187,418</u>
Subtotal financial assets available within one year	10,877,354	8,156,184
Less: Board designated funds	(545,000)	(545,000)
Less: Funds subject to donor imposed purpose restrictions	(439,081)	(258,159)
Less: Endowment funds to be invested in perpetuity	<u>(32,311)</u>	<u>(32,311)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 9,860,962</u>	<u>\$ 7,320,714</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

7. LIQUIDITY AND AVAILABILITY (Continued)

Counterpart closely monitors liquidity required to meet its operating needs and other financial commitments, while striving to comply with donor regulations and maximize the investment on available funds. Counterpart has standard cash management guidance for HQ and field operations. A large portion of Counterpart International's awards are received from agencies of the United States Government (as discussed in Note 11, "Concentration of Revenue"). Most of these Federal programs are financed through a letter of credit drawdown system; advances are received through the Department of Health and Human Services' Payment Management System and from the United States Department of Agriculture for implementation of activities under federal awards.

Per the cash management guidance, Counterpart structures its financial assets at headquarters and its field offices to be available and liquid as its general expenditures, liabilities, and other obligations come due. Counterpart invests its available cash in short term investments, specifically interest-bearing checking accounts and money market funds. To help manage unanticipated liquidity needs, Counterpart maintains a line of credit agreement (as previously discussed in Note 4) which allows for additional available borrowings up to \$1,500,000. In addition, Board designated funds (as previously discussed in Note 5) can be drawn upon if the Board of Directors approves such action.

8. GIFTS IN-KIND

During the years ended September 30, 2022 and 2021, Counterpart was the beneficiary of donated goods and services which allowed Counterpart to provide greater resources toward various programs. Gifts in-kind are reported at their estimated fair value. For donated food commodities, valuation is based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donors. Donated food commodities are not sold and are only distributed for program use. The values of donated services are estimated by the service providers, who estimate fair value based on the date, time, and market in which each service is rendered.

Such donated goods and services are donor restricted for support of Counterpart's federal grant programs, and treated as conditional contributions. Accordingly, donated goods and services are simultaneously recognized and released from restriction, and therefore recorded as "without restrictions" in the accompanying Statements of Activities and Changes in Net Assets.

Following is a breakdown of the donations by donor type, and have been included in revenue and program expense for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Federal gifts in-kind - Food commodities	\$ 3,388,868	\$ 1,358,133
Non-Federal gifts in-kind	<u>272,647</u>	<u>219,623</u>
TOTAL GIFTS IN-KIND	<u>\$ 3,661,515</u>	<u>\$ 1,577,756</u>

9. LEASE COMMITMENTS

On October 6, 2021, Counterpart entered into a 180-month (15-year) lease for office space in Washington, D.C., commencing on January 1, 2022. The lease provided \$2,039,250 of landlord-provided tenant improvements.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

9. LEASE COMMITMENTS (Continued)

The lease also includes an annual lease escalation of 2.5% through the entire lease term. Counterpart's landlord agreed to assume the remaining obligation under Counterpart's previous headquarters office lease (in Arlington, Virginia), not to exceed \$1,000,000 of rent payments, beginning on January 1, 2022 through the lease expiration date of November 14, 2022.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. Counterpart elected to early implement the ASU during the year ended September 30, 2022, and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Counterpart also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

Counterpart adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, Counterpart recorded a right-of-use asset and an operating lease liability in the amount of \$9,661,201 by calculating the present value using the discount rate of 4.5%.

Additionally, the remaining balance of unamortized tenant improvement assets and deferred rental abatement liabilities for the Arlington, Virginia office space was charged off as of March 31, 2022.

Counterpart is also obligated under operating leases for overseas field office space and for office various equipment rentals. Overseas field office space leases and equipment leases expire on various dates.

The following is a schedule of the future minimum lease payments:

<u>Year Ending September 30,</u>	<u>HQ Office Space</u>	<u>Field Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
2023	\$ 768,695	\$ 222,643	\$ 1,910	\$ 993,248
2024	787,898	133,740	-	921,638
2025	807,611	93,892	-	901,503
2026	827,766	25,099	-	852,865
2027	848,430	-	-	848,430
Thereafter	<u>8,923,588</u>	<u>-</u>	<u>-</u>	<u>8,923,588</u>
	12,963,988	<u>\$ 475,374</u>	<u>\$ 1,910</u>	<u>\$ 13,441,272</u>
Less: imputed interest	<u>(3,583,573)</u>			
	9,380,415			
Less: Current portion	<u>(353,733)</u>			
LONG-TERM PORTION	<u>\$ 9,026,682</u>			

Lease expense (included in "Rent and utilities") for the years ended September 30, 2022 and 2021 totaled \$967,234 and \$1,121,397, respectively.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

10. RETIREMENT PLAN

Counterpart provides retirement benefits to its employees through a defined contribution plan under Section 403(b) of the Internal Revenue Code. The Plan allows participants, subject to certain service requirements, to defer up to the Federal maximum for the calendar year.

Counterpart contributes six percent of the employee's base salary per pay period and Counterpart's contributions vest one year from the employee's start date. Contributions to the Plan during the years ended September 30, 2022 and 2021 were \$319,575 and \$275,256, respectively.

11. CONCENTRATION OF REVENUE

Approximately 97% and 96% of Counterpart's revenue and support during the years ended September 30, 2022 and 2021, respectively, were derived under awards (and gifts in-kind) received from agencies of the United States Government. Counterpart has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Counterpart's ability to finance ongoing operations.

12. CONTINGENCIES

U.S. Government funding -

Counterpart receives assistance from various agencies of the United States Government. Such awards are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government awards is based upon the allowance of direct and indirect costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2022. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Foreign operations -

Counterpart furthers its programmatic purposes in numerous developing countries through its field offices in each of those countries. Counterpart also maintains cash accounts as well as other assets in several of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of September 30, 2022 and 2021, Counterpart had cash, receivables, property/equipment and donated commodities in various countries in Africa, Latin America, Europe and Asia, totaling \$3,519,205 and \$3,565,862, respectively, which represents 15% and 30% of Counterpart's total assets as of September 30, 2022 and 2021.

SIGAR Audit -

During FY2020, the US Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) conducted an audit of Counterpart's award under Cooperative Agreement No. AID-306-A-14-00001 (Agreement) with the United States Agency for International Development (USAID) to support the Afghan Civic Engagement Program (ACEP) for the period October 1, 2018 through February 15, 2020.

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2022 AND 2021

12. CONTINGENCIES (Continued)

SIGAR Audit (continued) -

The external auditors appointed by SIGAR issued the audit report February 12, 2021. Counterpart received the SIGAR report, and the USAID transmittal letter dated June 13, 2021 on June 14, 2021.

USAID in its transmittal required Counterpart to inform USAID what steps Counterpart has taken or will take to address the findings and recommendations mentioned in the SIGAR report. Counterpart responded to USAID's request on July 9, 2021 by providing a detailed management response to address the findings and recommendations referenced in the SIGAR report. Management provided documentation to support and/or substantiate the questioned and unsupported costs. As of the date of this report, Counterpart has not received a response to the submission.

13. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Counterpart has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Counterpart has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy or changes in the methodologies used during the years ended September 30, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

Money Funds - The funds are open-end mutual funds that are registered with the Securities and Exchange Commission and deemed to be actively traded.

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money Funds	<u>\$ 110,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,309</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

13. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2021:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Funds	<u>\$ 109,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,724</u>

14. ENDOWMENT

Counterpart's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as "net assets with donor restrictions" because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to "net assets without donor restrictions".

The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Counterpart considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Counterpart has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, Counterpart considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of September 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 32,311	\$ 32,311
Accumulated investment earnings	<u>-</u>	<u>868</u>	<u>868</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 33,179</u>	<u>\$ 33,179</u>

COUNTERPART INTERNATIONAL, INC. AND SUBSIDIARIES

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14. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended September 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 33,134	\$ 33,134
Investment return, net	<u>-</u>	<u>45</u>	<u>45</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 33,179</u>	<u>\$ 33,179</u>

Endowment net asset composition by type of fund as of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 32,311	\$ 32,311
Accumulated investment earnings	<u>-</u>	<u>823</u>	<u>823</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 33,134</u>	<u>\$ 33,134</u>

Changes in endowment net assets for the year ended of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 33,114	\$ 33,114
Investment return, net	<u>-</u>	<u>20</u>	<u>20</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 33,134</u>	<u>\$ 33,134</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. As of September 30, 2022 and 2021, there were no deficiencies of this nature.

Return Objectives and Risk Parameters -

Counterpart has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are maintained in a separate money market account with Citibank to ensure protection of the funds and assume a moderate level of investment risk.

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14. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, Counterpart relies on a strategy in which investment returns are achieved through current yield (interest and dividends). Counterpart targets an asset allocation that places a greater emphasis on income-oriented investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Counterpart has a policy of appropriating 100% of the endowment returns toward the purpose as stated in the original award.

15. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Counterpart has evaluated events and transactions for potential recognition or disclosure through March 6, 2023, the date the consolidated financial statements were issued.